

DEPARTMENT OF TREASURY

BUREAU OF STATE LOTTERY

CHARITABLE GAMING

(By authority conferred on the commissioner of state lottery by section 13 of 1972 PA 382, MCL 432.113)

PART 1. GENERAL PROVISIONS

R 432.21101 Definitions.

Rule 101. (1) As used in the act:

(a) "Bona fide member" means a member, according to an organization's established membership criteria, who participates in the organization to further its lawful purposes.

(b) "Charitable purpose" means 1 or more of the following causes, deeds, or activities that are beneficial to the general public:

(i) Relief of poverty.

(ii) Advancement of education.

(iii) Advancement of religion.

(iv) Protection of health or relief from disease, suffering, or distress.

(v) Advancement of civic, governmental, or municipal purposes.

(vi) Protection of the environment and conservation of wildlife.

(vii) Defense of human rights and the elimination of prejudice and discrimination.

(viii) Any other purpose that the commissioner determines to be beneficial to the general public.

(c) "Day" means the standard 24-hour period, except when referring to the issuance of licenses, when it means the time period 8 a.m. of one day through 2 a.m. of the following day.

(d) "Lawful purpose" means 1 or more of the authorized purposes stated in a qualified organization's written bylaws, constitution, charter, or articles of incorporation and is on file with the bureau.

(e) "Licensee" means a qualified organization issued a license to conduct a large bingo, small bingo, special bingo, millionaire party, large raffle, small raffle, annual charity game ticket, special charity game ticket, or numeral game, or an organization or persons licensed under sections 4a(2) or 4a(3) of the act. Licensee also means a hall, supplier, or manufacturer licensed under the act.

(f) "Raffle" means an event for which raffle tickets are sold, a winner or winners are determined, either by randomly selecting stubs from all of the raffle tickets sold for an event or by an alternative method that is approved in writing by the bureau, and at which a preannounced prize is awarded.

(g) "Retail value" or "market value" means the price that a merchandise item can be normally found at a retail outlet for purchase. For merchandise items that are not normally sold through retail outlets, it is the price at which it sells for in the secondary market or the price that a reasonable seller would ask and that a reasonable purchaser would pay for the merchandise item.

(h) "Single gathering" means 1 scheduled assembly or meeting with a specified beginning and ending time that is conducted or sponsored by the qualified organization. Single gathering does not include the regular operating hours of a club or similar facility and does not include a meeting conducted solely for the purpose of conducting a raffle.

(2) As used in these rules:

(a) "Act" means 1972 PA 382, MCL 432.101 et seq.

(b) "Administrative procedures act" means 1969 PA 306, MCL 24.201 et seq.

(c) "Bingo equipment" means any authorized item that is used to conduct bingo.

(d) "Compliance meeting" means a meeting as prescribed by the administrative procedures act, conducted by the bureau at which the

licensee has an opportunity to show compliance with the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(e) "Compliance meeting notice" means the document issued by the bureau before the compliance meeting to inform a licensee of the date, time, and location of the compliance meeting.

(f) "Contested case hearing" means a formal hearing before a hearing officer conducted as prescribed by the administrative procedures act.

(g) "Contested case hearing notice" means the document issued by the bureau before the contested case hearing to inform a licensee of the date, time, and location of the contested case hearing.

(h) "Deal" means a package or packages of numeral game tickets that are imprinted with the same serial number.

(i) "General public" means society as a whole or any considerable part of society.

(j) "Gross revenue" means the monetary value received by the licensee for all fees charged to participate in the licensed gaming event before any deductions for prizes or any other expenses.

(k) "Informal meeting" means a meeting conducted by the bureau, at its discretion, at which the bureau discusses the failure of the licensee or lessor to comply with the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(l) "Lessor" means a person who rents a location to a licensee for the purpose of conducting a licensed gaming event, except a person who is licensed under R 432.22001 to R 432.22008.

(m) "License" means a valid large bingo, small bingo, special bingo, millionaire party, large raffle, small raffle, annual charity game ticket, special charity game ticket, numeral game, hall, supplier, or manufacturer license that is issued by the bureau.

(n) "Licensed gaming event" means a large bingo, small bingo, special bingo, millionaire party, large raffle, small raffle, annual charity game ticket, special charity game ticket, or numeral game licensed under the act.

(o) "Millionaire party equipment" means any authorized item that is used to conduct authorized games at a millionaire party.

(p) "Occasion" means the hours of the day for which a license is issued.

(q) "Privately held corporation" means a corporation that does not trade its stock in a stock exchange or in over-the-counter transactions.

(r) "Probation" means a license status requiring strict compliance with the act, these rules, directives of the bureau, public policy of the state of Michigan, and specific conditions as established by the commissioner.

(s) "Probation violation" means failure to abide by any of the terms of probation.

(t) "Probationary period" means the time interval of probation.

(u) "Terms of probation" means the conditions established at the discretion of the commissioner that shall be complied with during the probationary period.

(v) "Violation notice" means a document issued by the bureau, at its discretion, to a licensee charging a violation of the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(w) "Week" means a period of 7 days beginning with Sunday and ending with Saturday.

(x) "Worker" means a person who assists or participates in the management, conduct, or operation of a licensed gaming event.

(3) A term defined in the act has the same meaning when used in these rules.

R 432.21102 Principal officer responsibilities.

Rule 102. The principal officer of a qualified organization shall be responsible for all of the following:

(a) Ensuring that there is full accountability for all gaming assets including, but not limited to, cash, prizes, bingo cards, millionaire party

chips or imitation money, raffle tickets, charity game tickets, numeral game tickets, and all funds derived from the licensed gaming event.

(b) Ensuring that the licensed gaming event is conducted in accordance with the act, these rules, terms of probation, and directives of the bureau.

(c) Ensuring that all records related to the licensed gaming event are current and accurate.

(d) Reviewing all reports and correspondence from the bureau.

(e) Signing and ensuring that financial statements from the licensed gaming event are submitted to the bureau as prescribed by R 432.21335, R 432.21420, R 432.21522, R 432.21624, and R 432.21721.

(f) Responding in writing to violation notices as prescribed by R 432.21106(2).

(g) Ensuring that all workers are qualified to work the licensed gaming event.

R 432.21103 Compliance with other laws, regulations, and ordinances.

Rule 103. A licensee or lessor shall comply with public policy of the state of Michigan and any other local, state, or federal law or regulation.

R 432.21104 Permanent dissolution; utilization of assets; report.

Rule 104. Upon permanent dissolution of a qualified organization, all assets, real property, and personal property shall be utilized for the lawful purposes as stated in the qualified organization's bylaws, constitution, charter, or articles of incorporation that are filed with the bureau as prescribed by R 432.21202 and shall not be distributed to any private individual or shareholder. All remaining assets upon dissolution shall be distributed to the local government or another nonprofit organization as stated in the qualified organization's bylaws, constitution, charter, or articles of incorporation. The disbursement of remaining assets shall be reported to the bureau in writing.

R 432.21105 Restricted use of profits.

Rule 105. Profits from the licensed gaming event shall not be used for the benefit of any individual, member, or shareholder of the qualified organization except to directly further the lawful purposes of the qualified organization.

R 432.21106 Violation notice.

Rule 106. (1) The bureau, at its discretion, may issue a violation notice to a licensee for failure to maintain compliance with the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(2) The licensee shall respond to the violation notice in writing within the time period specified in the notice and shall inform the bureau what action has been taken to correct the violation cited. The response shall be signed by the principal officer of the qualified organization or the owner or top officer of the licensed supplier, licensed manufacturer, or licensed hall cited for the violation.

(3) The bureau, at its discretion, may initiate further administrative action if a response to the notice is not received or the response does not resolve the violation.

R 432.21107 Informal meeting.

Rule 107. (1) The bureau, at its discretion, may require the principal officer of the qualified organization, or the owner or top officer of the licensed supplier, licensed manufacturer, licensed hall, or lessor to attend an informal meeting to discuss violations of the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation. The purpose of this meeting shall be to assist the licensee or lessor in gaining compliance with the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(2) A licensee or lessor may agree to be placed on probation as a result of the meeting described in subrule (1) of this rule.

(3) The meeting described in subrule (1) of this rule is held to forestall the need to take further action, up to and including the conduct of a contested case hearing.

(4) The meeting described in subrule (1) of this rule is not required if in the opinion of the bureau the violations of the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation warrants action prescribed by R 432.21109 to R 432.21111.

R 432.21108 Probation.

Rule 108. (1) The commissioner may place a licensee on probation or may condition the renewal of a license with terms of probation when the licensee has violated the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(2) The continuation of the probationary license is conditioned upon the strict compliance with the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(3) It is a probation violation if the licensee fails to comply with the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(4) The commissioner may summarily suspend a probationary license if the licensee violates the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation as prescribed by R 432.21111.

R 432.21109 License denial.

Rule 109. (1) If the bureau determines that an applicant, who does not hold a license for which the applicant is applying, is not in compliance with the act, these rules, terms of probation for another license, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation, then the commissioner may refuse to issue a license to the applicant.

(2) The submission of a check in payment of a fee that is not paid by the financial institution on which it is drawn shall be grounds for immediate denial of an application for a license.

(3) If the bureau determines that a lessor of a location to be used for the conduct of a special bingo, millionaire party, large raffle, small raffle, special charity game ticket, or numeral game is not in compliance with the requirements of the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation, then the commissioner may refuse to issue a license to a qualified organization applying to conduct the licensed gaming event at that lessor's facility.

(4) A denial under this rule may be appealed under 1961 PA 236, MCL 600.631.

R 432.21110 Suspension or revocation of a license; refusal to renew a license.

Rule 110. (1) If the commissioner determines that a licensee or lessor is not in compliance with the requirements of the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation, then the commissioner may suspend or revoke the license, refuse to renew the license, or suspend the right to obtain a license.

(2) The commissioner may suspend or revoke a license, refuse to renew a license, or suspend the right to obtain a license in accordance with the Administrative Procedures Act for any of the following reasons:

(a) Failure to ensure full accountability for all gaming assets including, but not limited to, cash, prizes, bingo cards, millionaire party

chips or imitation money, raffle tickets, charity game tickets, numeral game tickets, and all funds derived from the licensed gaming event.

(b) The lack of honesty and integrity of the licensee or lessor.

(c) The lack of veracity and accuracy concerning the information submitted on the application.

(d) The indebtedness of the licensee or lessor to the federal, state, or local government.

(e) A pending lawsuit or bankruptcy proceeding that involves the licensee or lessor and is related to the licensed gaming event.

(f) The current or past history of compliance of the licensee, lessor or their agent, or any owner, shareholder of the privately held corporation, partner, officer, or agent of the licensee with the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation.

(g) Evidence that the licensee or lessor has illegal gambling equipment at the location or that illegal gambling has occurred at the location of the licensee or lessor or at the location of a licensed gaming event.

(h) The submission of a check in payment of a fee that is not paid by the financial institution on which it is drawn.

(i) Hindering or obstructing an authorized representative of the bureau in the performance of official duties.

(j) The use or submission of false or misleading information by any of the following means:

(i) An application for a license or renewal of a license.

(ii) Any document that is submitted to the bureau.

(iii) All records completed in conjunction with the licensed gaming event.

(iv) Verbal statements to an authorized representative of the bureau by any owner, shareholder of the privately held corporation, partner, officer, or agent of the licensee or lessor.

(k) Failure to submit complete and accurate financial statements as prescribed by R 432.21335, R 432.21420, R 432.21522, R 432.21624, and R 432.21721.

(l) Failure or refusal to provide an authorized representative of the bureau access to the location of a licensed gaming event, licensed supplier, licensed manufacturer, or licensed hall.

(m) Failure to promptly produce any book, record, or document as required by the act, these rules, terms of probation, or directives of the bureau for review by an authorized representative of the bureau.

(n) Allowing any person who has been convicted of, becomes convicted of, has forfeited bond upon a charge of, or has pled guilty to any of the offenses in R 432.21205(f) to work in the operation or management of a licensed gaming event or to be an officer or agent of the qualified organization.

(o) Allowing any person who has been convicted of, becomes convicted of, has forfeited bond upon a charge of, or has pled guilty to any of the offenses in R 432.21802(f), R 432.21902(f), or R 432.22002(f) to work in the operation or management of a licensed supplier, licensed manufacturer, licensed hall, or lessor, or to be an owner, shareholder of the privately held corporation, partner, officer, or agent of the licensed supplier, licensed manufacturer, licensed hall, or lessor.

(p) Failure to continuously operate as a qualified organization as defined by the act and as represented to the bureau by means of the information submitted to the bureau as required by R 432.21202, or failure to continuously operate as an organization or persons issued a license under sections 4a(2) or 4a(3) of the act.

(q) For activities similar to those enumerated which, at the discretion of the commissioner, merit enforcement action.

(3) If a license is suspended, then the commissioner may determine that the licensee is ineligible to conduct any licensed gaming event during the period of suspension.

R 432.21111 Summary suspension proceedings.

Rule 111. (1) To advance the public policy of prohibition against all gambling activities not conducted in strict conformance with expressed legislative exceptions, including the regulatory framework established by the act, the commissioner may summarily order the suspension of a license as provided by section 16(1) of the act and in accordance with section 92 of the Administrative Procedures Act, upon a determination that any 1 or more of the following circumstances exist:

(a) The licensee has obtained the license by fraud, misrepresentation, or concealment.

(b) The decision to issue the license was a product of a material mistake of law or fact.

(c) The licensee or lessor has engaged in an act, practice, or course of conduct that would operate as a fraud or deceit on a person or persons, or has employed a device, scheme, or artifice to defraud a person or persons.

(d) The licensee or lessor has repeatedly violated, or repeatedly failed or refused to comply with, any of the provisions, requirements, limitations, or duties imposed by the act, these rules, terms of probation, directives of the bureau, public policy of the state of Michigan, or any other local, state, or federal law or regulation after having been previously notified by the bureau that a violation or violations of the same or similar provisions had been, or were being, committed by the licensee or lessor.

(e) The licensee, lessor, or any owner, shareholder of the privately held corporation, partner, officer, or agent of the licensee has been charged with or convicted of a violation of the act.

(f) The licensee or lessor has or there is reasonable cause to believe the licensee or lessor engaged in illegal gambling, or a fraud or larceny offense.

(g) That the immediate cessation of the licensed gaming event by the licensee is necessary for the protection or preservation of the welfare of the community within which these activities are being conducted, or for the protection or preservation of public policy of the state of Michigan, or any other local, state, or federal law or regulation respecting unlawful gaming activity.

(2) If the commissioner summarily suspends a license, then the licensee shall be afforded a prompt hearing before the bureau on the question forming the basis of the suspension of the license.

R 432.21112 Compliance meeting.

Rule 112. (1) A compliance meeting notice shall be issued in accordance with section 92 of the Administrative Procedures Act. The compliance meeting allows the licensee or lessor to show compliance before the conduct of a contested case hearing.

(2) If compliance is shown or an agreement regarding future action is reached at this meeting, then the need for a contested case hearing may be negated.

R 432.21113 Contested case hearing.

Rule 113. (1) A contested case hearing notice shall be issued in accordance with section 71 of the Administrative Procedures Act.

(2) The bureau may establish procedures for the conduct of contested case hearings, including the submission of evidence by written interrogatory deposition, request for admissions, or by such other means established by the hearing officer.

(3) There shall be no discovery other than that allowed by the Administrative Procedures Act.

(4) When an appearance is made at a contested case hearing, it shall be made in person by the principal officer of the qualified organization; the owner, principal shareholder of the privately held corporation, partner, or top officer of the licensed supplier, licensed manufacturer, or licensed hall; or by counsel.

(5) The person or persons who have been served with a contested case hearing notice may file a written answer before the date set for the contested case hearing or may appear at the contested case hearing and

present an oral statement on the charges contained in the contested case hearing notice. If written briefs or arguments are presented, then a copy shall be served upon the hearing officer at least 5 days before the date set for the contested case hearing.

(6) If the person or persons who have been previously served with a contested case hearing notice fail to appear at the contested case hearing, then the hearing officer may proceed with the contested case hearing and may, on the evidence presented, make a decision.

(7) A contested case hearing shall not be adjourned or continued except by the hearing officer. All motions and requests for an adjournment or a continuance shall be in writing. The motion or request shall state concisely the reasons why the requested relief is necessary.

(8) The parties to any contested case hearing may, by stipulation in writing filed with the hearing officer, agree upon the facts or any portion of the facts involved in the controversy. The stipulation shall be regarded and used as evidence in the contested case hearing. Parties are requested to agree upon the facts when practicable.